

Ms. Martha W. Hughey, Assistant Vice President
of Reimbursement
National Healthcorp, L.P.
100 East Vine Street
1400 City Center
Murfreesboro, Tennessee 37130

Re: AC# 3-GNW-J5 – National Healthcorp, L.P. d/b/a Greenwood Health Care Center

Dear Ms. Hughey:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1994 through September 30, 1995. That report was used to set the rate covering the contract periods beginning October 1, 1996.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll
Mr. Richard A. Sellars

**NATIONAL HEALTHCORP, L.P.
D/B/A GREENWOOD HEALTH CARE CENTER
GREENWOOD, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1996
AC# 3-GNW-J5**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 17, 1998

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with National Healthcorp, L.P. d/b/a Greenwood Health Care Center, for the contract periods beginning October 1, 1996 and for the twelve month cost report period ended September 30, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by National Healthcorp, L.P. d/b/a Greenwood Health Care Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and National Healthcorp, L.P. d/b/a Greenwood Health Care Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 17, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

NATIONAL HEALTHCORP, L.P.
D/B/A GREENWOOD HEALTH CARE CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1996
AC# 3-GNW-J5

10/01/96-
09/30/97

Interim reimbursement rate (1)	\$84.14
Adjusted reimbursement rate	<u>83.36</u>
Decrease in reimbursement rate	\$ <u><u>.78</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated July 17, 1998

NATIONAL HEALTHCORP, L.P.
D/B/A GREENWOOD HEALTH CARE CENTER

Computation of Adjusted Reimbursement Rate
For the Contract Periods October 1, 1996 Through September 30, 1997
AC# 3-GNW-J5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.27	\$39.83	\$46.75	\$39.83
Dietary	<u>.35</u>	<u>8.24</u>	<u>8.59</u>	<u>8.24</u>
Subtotal	<u>\$3.62</u>	48.07	55.34	48.07
Laundry/Housekeeping/Maint.	\$1.06	5.74	7.04	5.74
Administration & Med. Rec.	<u>-</u>	<u>10.14</u>	<u>8.55</u>	<u>8.55</u>
Subtotal	<u>\$1.06</u>	63.95	<u>\$70.93</u>	62.36
<u>Costs Not Subject to Standards:</u>				
Utilities		1.54		1.54
Special Services		.92		.92
Medical Supplies & Oxy.		3.65		3.65
Taxes and Insurance		1.30		1.30
Legal Fees		<u>.14</u>		<u>.14</u>
TOTAL		<u>\$71.50</u>		69.91
Inflation Factor (4.90%)				3.43
Cost of Capital				12.86
Cost of Capital Limitation				(4.84)
Profit Incentive (Max. 3.5% of Allowable Cost)				1.06
Cost Incentive - For Gen. Serv. & Dietary				3.62
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(2.93)
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$83.36</u>

NATIONAL HEALTHCORP, L.P.
D/B/A GREENWOOD HEALTH CARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1995
 AC# 3-GNW-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,574,026	\$ 25,065 (5)	7,866 (3) 39,941 (4)	\$1,551,284
Dietary	320,962	112,759 (5)	112,758 (4)	320,963
Laundry	43,926	15,432 (5)	15,431 (4)	43,927
Housekeeping	114,483	54,487 (5)	57,128 (4)	111,842
Maintenance	68,807	33,771 (5)	34,955 (4)	67,623
Administration & Medical Records	396,292	5,760 (3) 2,060 (3) 98,489 (5) 6,146 (5)	99,645 (4) 14,331 (4)	394,771
Utilities	61,306	29,027 (5)	30,396 (4)	59,937
Special Services	35,800	-	-	35,800
Medical Supplies & Oxygen	142,091	-	-	142,091
Taxes & Insurance	51,943	21,766 (5)	22,948 (4)	50,761
Legal Fees	5,687	1,138 (5)	1,536 (4)	5,289

NATIONAL HEALTHCORP, L.P.
D/B/A GREENWOOD HEALTH CARE CENTER
 Summary of Costs and Total Patient Days
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 AC# 3-GNW-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	455,894	26,509 (1) 32,385 (5) <u>12,471 (6)</u>	26,495 (4)	500,764
Subtotal	3,271,217	477,265	463,430	3,285,052
Ancillary	-	-	-	-
Non-Allowable	1,758,180	1,623 (2) 46 (3) 455,564 (4) <u>12,471 (6)</u>	26,509 (1) 1,623 (2) 430,465 (5)	1,744,345
Total Operating Expenses	<u>\$5,029,397</u>	<u>\$934,498</u>	<u>\$934,498</u>	<u>\$5,029,397</u>
TOTAL PATIENT DAYS*	<u>38,946</u>	<u>-</u>	<u>-</u>	<u>38,946</u>

*Adjusted to 97% occupancy

TOTAL BEDS 110

NATIONAL HEALTHCORP, L.P.
D/B/A GREENWOOD HEALTH CARE CENTER
Adjustment Report
For the Cost Report Period Ended September 30, 1995
AC# 3-GNW-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$ 164,623	
	Cost of Capital - Depreciation Expense	26,509	
	Fixed Assets		\$ 92,840
	Accumulated Depreciation		71,783
	Nonallowable		26,509
	To adjust fixed assets and depreciation to allowable HIM-15-1, Section 100		
2	Fixed Assets - PPW	57,780	
	Nonallowable PPW Depreciation	1,623	
	Other Equity		55,708
	Cost of Capital - Depreciation		
	Expense PPW		1,623
	Accumulated Depreciation		2,072
	To adjust for private pay wing HIM-15-1, Sections 100 and 2102.3		
3	Medical Records	2,060	
	Nonallowable	46	
	Administration	5,760	
	Nursing		7,866
	To reclassify expenses to the proper cost centers DH&HS Expense Crosswalk		
4	Nonallowable	455,564	
	Cost of Capital		26,495
	Taxes and Insurance		22,948
	Administration		99,645
	Legal		1,536
	Maintenance		34,955
	Utilities		30,396
	Laundry		15,431
	Housekeeping		57,128
	Dietary		112,758
	Medical Records		14,331
	Restorative		39,941
	To remove indirect costs applicable to non-reimbursable cost centers State Plan, Attachment 4.19D		

NATIONAL HEALTHCORP, L.P.
D/B/A GREENWOOD HEALTH CARE CENTER
Adjustment Report
For the Cost Report Period Ended September 30, 1995
AC# 3-GNW-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Cost of Capital	32,385	
	Taxes and Insurance	21,766	
	Administration	98,489	
	Legal	1,138	
	Maintenance	33,771	
	Utilities	29,027	
	Laundry	15,432	
	Housekeeping	54,487	
	Dietary	112,759	
	Medical Records	6,146	
	Restorative	25,065	
	Nonallowable		430,465
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers State Plan, Attachment 4.19D		
6	Cost of Capital	12,471	
	Nonallowable		12,471
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$1,156,901</u>	<u>\$1,156,901</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

NATIONAL HEALTHCORP, L.P.
D/B/A GREENWOOD HEALTH CARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Ended September 30, 1995
 AC# 3-GNW-J5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>110</u>
Deemed Asset Value	3,517,030
Improvements Since 1981	3,073,391
Accumulated Depreciation at 9/30/95	<u>(1,776,143)</u>
Deemed Depreciated Value	4,814,278
Market Rate of Return	<u>0.070</u>
Total Annual Return	336,999
Return Applicable to Non-Reimbursable Cost Centers	(29,023)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>8,327</u>
Allowable Annual Return	316,303
Depreciation Expense	217,472
Amortization Expense	905
Capital Related Income Offsets	(7,421)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(26,495)</u>
Allowable Cost of Capital Expense	500,764
Total Patient Days (Minimum 97% Occupancy)	<u>38,946</u>
Cost of Capital Per Diem	\$ <u><u>12.86</u></u>

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Cost of Capital Reimbursement Analysis
For the Cost Report Ended September 30, 1995
AC# 3-GNW-J5

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 4.03
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>8.02</u>
Reimbursable Cost of Capital Per Diem	\$ 8.02
Cost of Capital Per Diem	<u>12.86</u>
Cost of Capital Per Diem Limitation	\$ <u>(4.84)</u>